



To protect & support every child's digital journey

DEC QTR 2022

4C COMMENTARY & OPERATIONAL UPDATE

ASX: FZO

Internal use only





## Qtr Highlights

*“With strong growth and cost control we’re delighted to be continuing on our plan to achieve run-rate breakeven this financial year.”*

Tim Levy, Managing Director



### Continued strong ARR conversion

\$18.1 million collected nett of channel comms



### Strong growth in Recurring Revenue

Added gross ARR of \$5 million (nett \$3m after forex)



### Effective cost control

On track for a +\$3 million reduction in fixed costs



### Continued outstanding SaaS metrics

110% NRR, 85% Service Margin, < 3% Churn



### Exciting launches and roll-outs

Qustodio, Pulse and Digital Experts Academy

NRR = Net Revenue Retention. Gross Margin is after IT, Data & Hosting, Hardware and Selling Costs. Recurring Revenue or ARR includes effective costs of selling through resellers and channel partners.

## ABOUT

Our mission is to save and better children's lives; to empower parents; to deliver for tomorrow's educators and be a key influencer in cyber safety globally. We seek to deliver for our staff their best ever employment experience and deliver exceptional returns for our investors.



**Peter Pawlowitsch**  
Chairman



**Tim Levy**  
Managing Director



**Crispin Swan**  
COO & Director



### Dr Jane Watts

#### Non Executive Director

NED Liberty Financial Group, Orygen Youth Mental Health Foundation & Westpac Foundation

*Formerly:* Senior Executive at Westpac, BT Financial, Macquarie, MLC and Lend Lease.



### Georg Ell

#### Non Executive Director

CEO Phrase  
Venture Partner, Craft Partners

*Formerly:* CEO at Smoothwall; Director of Europe at Tesla; GM Sales at Yammer and Senior Sales Executive Microsoft.



### Matthew Stepka

#### Non Executive Director

Managing Partner, Machina Ventures  
Lecturer, Berkeley

*Formerly:* VP of Operations & Strategy at Google; GM at Drugstore.com and CEO/Founder of Big World Travel.



### Phil Warren

#### Non Executive Director

MD Grange Consulting Group  
Experienced ASX Director and advisor



## AT A GLANCE

Leeds

Charlotte

San Diego

Orlando

Barcelona

✓ 12M students

✓ 24K schools

✓ 38% of UK schools

✓ 18% of US districts

✓ 350K paying subscribers

✓ \$85 million ARR

# Family Zone; the global leader in online safety

Family Zone is the only truly global provider of online safety technology offering solutions in K-12 and parental controls.

Sydney

Perth

Melbourne

Auckland

mal use only



# December Qtr Update

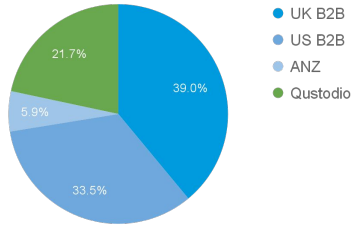


# GROUP

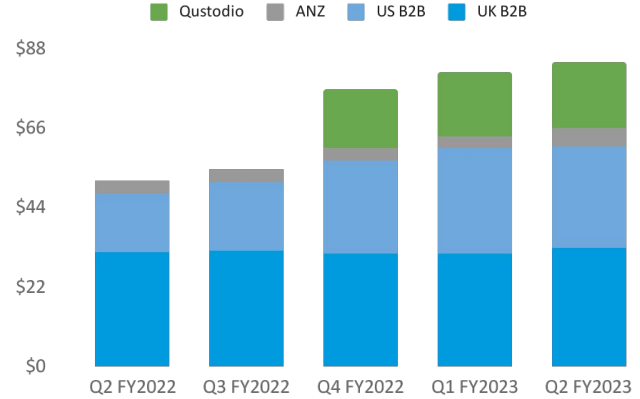
## Strong growth across multiple vectors

Group ARR grew by ~\$5 million gross and nett \$3 million after the negative impact of a strengthening AUD. Strong contributions were made from Qustodio (nett \$0.6 million) and Education (nett \$2.4 million) despite December being our slowest sales quarter in edu-tech.

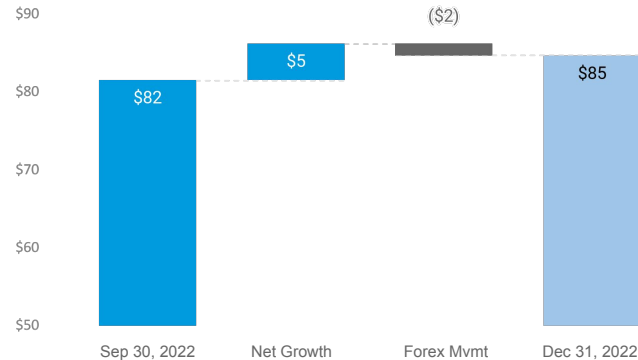
Annual Recurring Revenue Global Sales Mix %



## Annual Recurring Revenue Global Sales Mix | AUD Millions



## ARR Waterfall Group | AUD Millions





# GROUP

## Scale & cross sells driving margins & ARPU

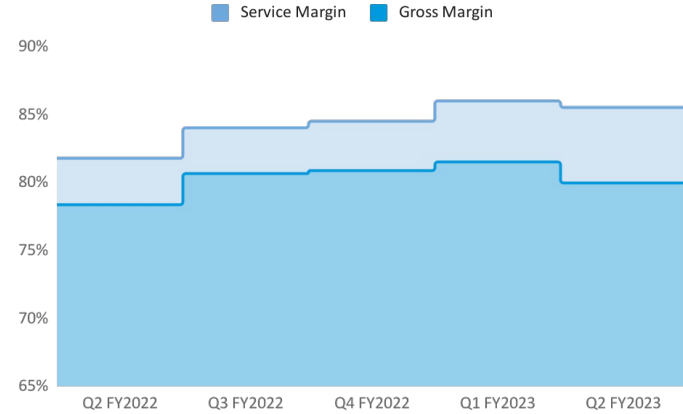
Continued focus on cross and upsells with our expanding product lines is delivering consistent growth in average revenue per student from EDU products which has reached \$6.0 pa. Continued growth is expected with a 2-3 year target of \$10 pa.

Across the group (Edu plus consumer) ARPs is close to \$8 pa.

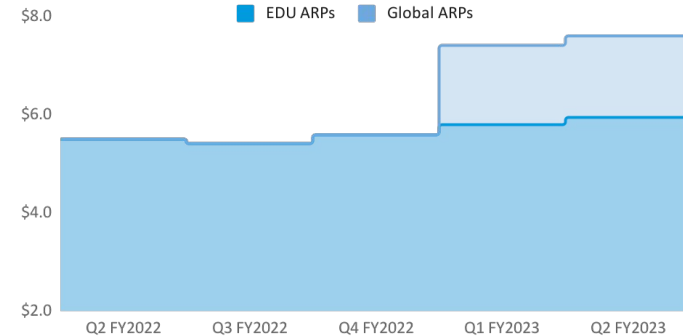
Whilst slightly variable, Service Margins are trending upwards and above 85%. We expect these to improve to 90% in the next 12-18 months with scale and a focus on multiple product sales.

Gross margin is comfortably on target at 80%.

### Group Service & Gross Margins Percentage of ARR



### Average Revenue per Student (ARPs) Education & Group | AUD





## Executing on our plan to break even

The Company is on-plan to achieve run-rate cash-flow breakeven this financial year as can be seen in the chart right.

The June half is the key edu-tech selling period and we currently enjoy a record sales pipeline in excess of \$18 million. With conversion rates of ~50% we are confident of a strong coming half.

Cash costs are stable and whilst they increased by ~\$2m pa with the acquisition of Educator Impact savings in excess of these costs are being implemented currently. We expect cash operating costs to fall back to the low \$70 million pa range this coming quarter.

### Run Rate Analysis Group | AUD Millions





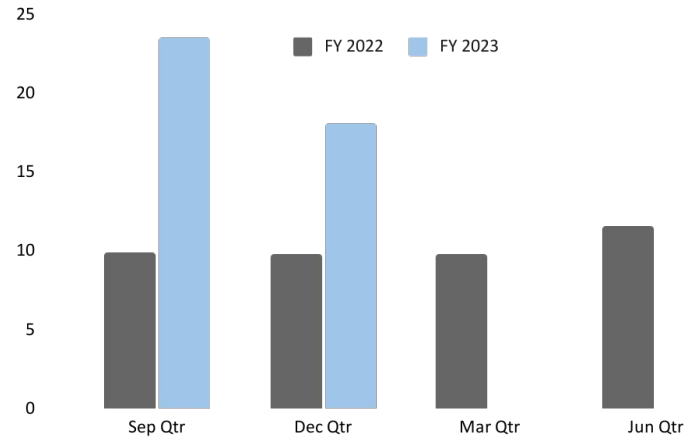


## Strong ARR conversion and well funded

Pleasingly our strong ARR growth quickly converts into cash inflows. This quarter we collected a December Quarter record \$18 million and \$42 million for the half.

The Company finished the quarter with circa \$16 million of available funding including an undrawn \$10 million convertible funding facility.

### Cash Collections (nett) Group | AUD Millions





# GROUP

## Outlook

As indicated in previous quarters the Company is executing on a deliberate plan to grow, expand our product portfolio and and construct a sustainable cost base. These efforts are delivering results with costs well managed and a clear pathway to breakeven.

Importantly corporate activity has brought together all of the ingredients we need to fulfill our medium term product vision and mission to protect and support every child's digital journey.

The remainder of FY2023 is about continued execution, taking advantage of growing awareness, our growing pipeline and massive K-12 funding plus honing our product portfolio and cost structure.

### COMING TO FAMILY ZONE



#### **Expansion of Qustodio**

Continued launch of Qustodio across our EDU footprint



#### **Pulse launch into the group**

Now generally available with positive signs



#### **Student Digital Leaders launch**

Scheduled to be "generally available" February 2023



#### **Global re-branding**

Brand name selected and with planning underway for progressive launch in CY2023



# EDUCATION

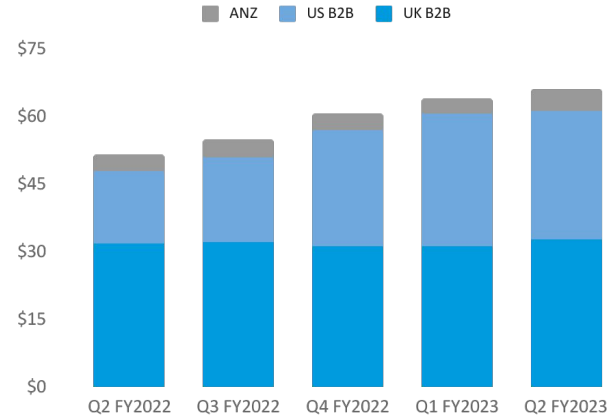
## Driving new and net new ARR growth

The Education division delivered strong growth in our slowest sales period and despite negative forex impacts. Exit education ARR was \$66.2 million (after a -\$2 million forex impact).

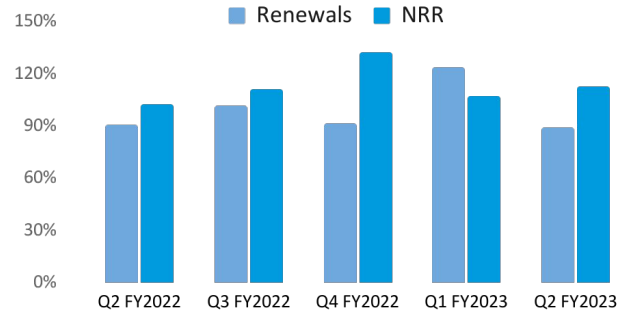
Key highlights for the quarter were materially above target performance in ANZ where Australia delivered its most successful new business quarter in history.

Strong performance in customer retention and cross sells continues to be a highlight with NRR exceeding 110% globally (120% in the US). Global renewals were a solid 90% (of opportunities) which has been impacted by our UK business' movement away from non-school firewall & filter customers. Overall rates of churn continue to be immaterial.

## Annual Recurring Revenue Education | AUD Millions



## Net Revenue Retention & Renewals





# EDUCATION

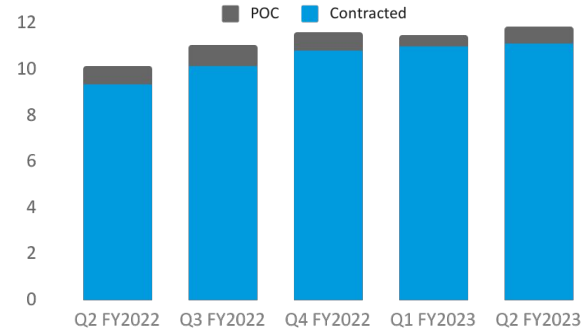
## POCs growing into an exciting selling season

Student licenses grew strongly in all markets despite the December quarter being a low point in UK / US sales and our increasing focus on cross sells / net revenue.

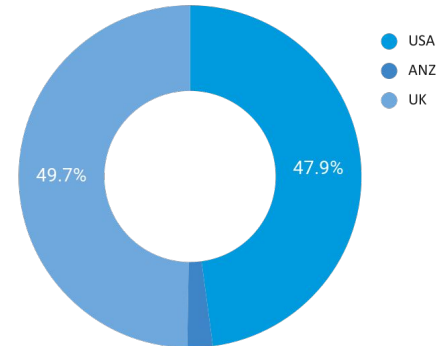
The Company now services circa 18% of US school districts and continues to enjoy a dominant position in the UK school system.

Students in POC picked up as pipelines are being built for the coming sales season ending the quarter at 733,000.

### Student Licences Group | Count | Millions



### Regional Splits By Student Licences





# EDUCATION

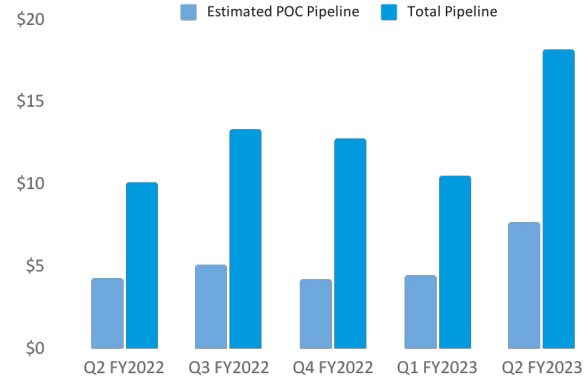
## Huge pipeline & exciting launches ahead

The company is poised for strong performance in the next half with exciting product launches / rollouts and an enormous sales pipeline being built.

We currently have in excess of \$18 million of qualified leads (up from \$10.5 million last quarter). On a weighted basis our pipeline is estimated at \$8 million. This represents 80% YoY pipeline growth.

In addition to the pipe, we are delighted to be bidding into a number of million dollar deals across all of our markets and we're excited to be rolling out Pulse and the Digital Experts Academy across all markets this quarter. Market response so far in January, particularly in the UK has been exceptional.

### Education Pipeline AUD Millions



### PRODUCT LAUNCHES

**Pulse**

World leading student wellbeing offering. Launching in all markets in the March quarter.

**Digital Experts**

World first online safety education for schools. Launching in all markets in the March quarter.

**Qustodio**

World leading parental controls launching through the group's K-12 footprint.



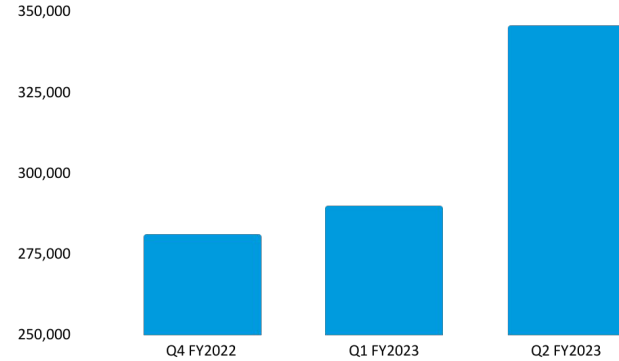
## Delivering strong growth and innovation

Qustodio continued to grow strongly following the key back-to-school sales period. ARR passed through \$18 million despite negative impacts of forex changes.

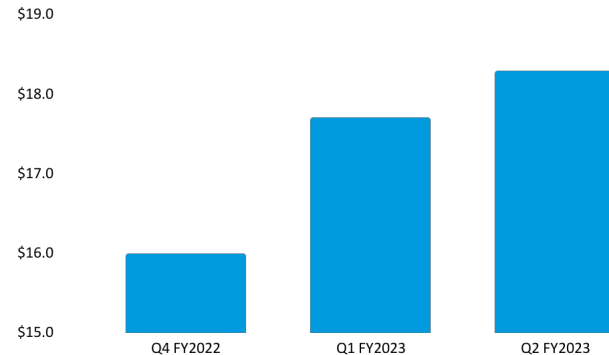
Remarkably strong growth in partner (telco) sales saw a big rise in premium subscriptions and falling rates of churn and cost-to-acquire.

The Qustodio team are successfully working with our education team to launch Community Connect (B2B2C) and working on a range of innovative feature initiatives due to launch this half.

### Qustodio Premium Accounts All Channels | Count



### Qustodio Annual Recurring Revenue All Channels | AUD Millions





# COMMUNITY

## Accelerating progress with B2B2C

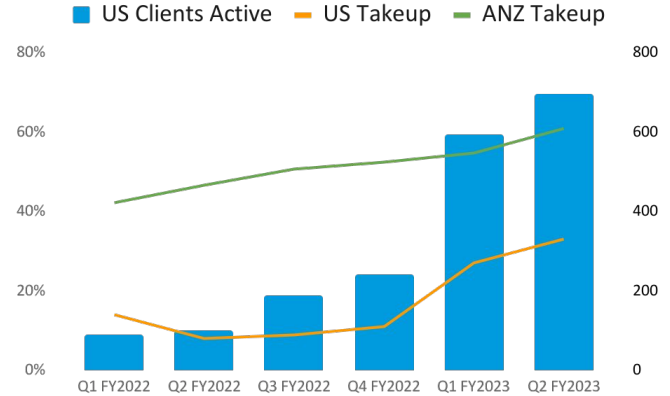
We are pleased to report positive progress in the launch of Community Connect being the delivery of the Online Safety Hub and Qustodio parental controls to our school communities.

With respect to Qustodio (Community Connect) we are running careful and staged rollouts with many thousands of customers now connected and enjoying Qustodio. Our focus is on freemium launches with premium upgrades a future focus as momentum continues to build.

In Australia outstanding results are being achieved with parent take-up of the freemium account exceeding 20% within 7 days of launch.

In the US 6 districts are live with parent take-up averaging 6% with some districts in excess of 20%. A further 40 US districts are lined up for rollout with a student population of ~500,000.

## School Community Take-up & Active US Clients

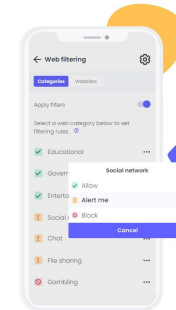


### Qustodio

#### All the parental control tools you need to protect your kids online

Click on the features below to see what you can do with Qustodio

- Filter content & apps
- Monitor activity
- Set time limits
- Track calls & SMS for Android and iOS
- Locate family
- Reports, alerts & SOS





# QUARTERLY CASH-FLOW

## Commentary

Receipts from customers for the quarter were a December quarter record at \$18.1 million, the December quarter is typically a quieter cash collection quarter as schools break for Christmas and it is the slowest selling period in the Northern hemisphere.

**Direct costs:** \$5.3 million (from \$4.2m) the increase in direct costs is attributable to a full quarter of Qustodio in addition to it being the busiest marketing period across Black Friday and Christmas. *Note previous marketing costs have been reallocated from Fixed to Direct.*

**Staff costs:** \$15.8 million (from \$14.6m) includes a full quarter of Qustodio and Educator Impact costs.

**Fixed other:** \$3.0 million (from \$2.7m) includes a full quarter of Qustodio and Educator impact costs, approximately \$400k in total.

Once again growth in overall cash costs is well controlled with the addition of Qustodio for a full quarter and Educator Impact for the first time the major factor in increased costs.

Adjusted 4C Operating Qtrly Cash flow	Mar 2022	Jun 2022	Sep 2022	Dec 2022
Direct Costs	(\$3,302)	(\$2,771)	(\$4,233)	(\$5,281)
Staff Costs	(\$11,871)	(\$12,511)	(\$14,616)	(\$15,794)
Fixed Other	(\$2,718)	(\$2,333)	(\$2,675)	(\$3,018)

Normalised quarterly cash outflows in AUD Thousands. Adjusted for one-off / non-operational flows & timing. \* Includes Qustodio which merged in August 2022 and Educator Impact from October 2022.

## Related Party Transactions

In accordance with ASX Listing Rule 4.7C.3 payments to related parties and their associates outlined in the Company's Appendix 4C for the quarter of approximately \$306k related to Directors salaries and superannuation payments and professional fees paid to Grange Consulting for company secretarial services.





# CAPITAL

AVAILABLE FUNDING	\$16M <sup>4</sup>
ORDINARY SHARES	902,207,504
MARKET CAP (@26.0c)	\$239M
TOP 20 SHAREHOLDERS	68%
FOUNDERS & EXECUTIVES	4.5%

## Notes

At 27 January 2023

1 Exec salaries received PRs in lieu of cash

2 Employee incentives time based milestones

3 Various performance based targets

4 Includes \$6M cash as at 31 December 2022 & \$10M undrawn WC facility

## Perf Shares/Rights

**79,753,835**

Exec salaries <sup>1</sup>

3,734,702

Employee <sup>2</sup>

35,382,430

Employee & Exec <sup>3</sup>

40,636,703

## Deferred Perf Rights

Qustodio

80,527,017

## Options

**19,490,000**

18c-24c (expiring 2023)

2,700,000

50-60c (expiring 2025)

9,550,000

ZEPOs (expiring 2024/25)

2,240,000

60c (expiring 2026)

5,000,000

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Family Zone Cyber Safety Limited

**ABN**

33 167 509 177

**Quarter ended ("current quarter")**

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18,084	41,623
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,118)	(8,306)
(c) advertising and marketing	(1,386)	(1,861)
(d) leased assets	-	-
(e) staff costs	(16,328)	(30,944)
(f) administration and corporate costs	(4,109)	(6,971)
1.3 Dividends received (see note 3)		
1.4 Interest received	22	26
1.5 Interest and other costs of finance paid	(206)	(311)
1.6 Income taxes paid	(8)	(21)
1.7 Government grants and tax incentives	73	73
1.8 Other - acquisition-related operating outflows	-	(149)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(7,976)</b>	<b>(6,841)</b>

<b>2.</b>	<b>Cash flows from investing activities<sup>2</sup></b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(464)	(18,937)
	(c) property, plant and equipment	(895)	(1,459)
	(d) investments	-	(25)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,359)</b>	<b>(20,421)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) <sup>3</sup>	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	316	946
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(400)	(830)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Repayment of Lease Liabilities (Year to date adjustment)	(777)	(777)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(861)</b>	<b>(661)</b>
	<sup>3</sup> Net of capital raising costs		
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>15,434</b>	<b>32,746</b>

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## Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.1	Cash and cash equivalents at beginning of period		
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,976)	(6,841)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,359)	(20,421)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(861)	(661)
4.5	Effect of movement in exchange rates on cash held	917	1,332
4.6	<b>Cash and cash equivalents at end of period</b>	<b>6,155</b>	<b>6,155</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,155	15,434
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,155</b>	<b>15,434</b>

6.	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(306)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities:		
	1. Northcity Asset Pty Ltd working capital loan facility	10,000	-
	2. Santander bank loans & facilities	2,504	2,433
	3. Caixabank bank loans & facilities	1,028	696
	4. Other borrowings and facilities	500	437
7.2	Credit standby arrangements	-	-

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## Quarterly cash flow report for entities subject to Listing Rule 4.7B

7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	14,032	3,566
7.5	<b>Unused financing facilities available at quarter end</b>		10,466

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

1. Undrawn working capital facility from Northcity Asset Pty Ltd. 5 year term, maturing 3 May 2027. Interest rate 10% per annum on drawn funds and 1% per annum on undrawn funds. First ranking registered security over all present and future assets of the Group. For further details, please see most recent Family Zone Cyber Safety Limited Annual Report.
2. A number of facilities provided to Qustodio by Santander bank, Spain. Facilities are unsecured and have interest rates of between 2.84% per annum and 3.75% per annum. Maturity dates are between 12 January 2026 and 1 April 2028.
3. A number of facilities provided to Qustodio by Caixabank bank, Spain. Security provided by \$151,000 (100,000 Euro) collateral deposit. Interest rates are between 2.84% per annum and 3.75% per annum and maturity dates are between 12 January 2026 and 1 April 2028.
4. Other borrowings and facilities represent insurance premium funding, accounting system financing facility and other minor borrowings.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(7,976)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,155
8.3 Unused finance facilities available at quarter end (item 7.5)	10,466
8.4 Total available funding (item 8.2 + item 8.3)	16,621
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not Applicable	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not Applicable	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not Applicable	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2023

Authorised by the Board of Family Zone Cyber Safety Limited

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.